Small chain show grows with alliance needs

IN THE MARKET
BRUCE BUCKLEY

The little guys on the block have been getting some extra attention from the National Association of Chain Drug Stores.

The association's Small Chain Conference has always been a focal point for the special needs of small to mid-sized retailers, but this year the conference seemed to reach a new threshold of importance.

The growth in the show was impressive. Chain attendance was up 32 percent from last year, while the number of supplier companies rose 20 percent.

The business programs honed in on the particular needs of these smaller operators, whose business is so dependent on pharmacy issues, including the demand for more counseling services at the same time that the third-party buck is being squeezed.

Alliance-building was also given more prominence. The scheduled retailer-vendor meetings may not have worked for everyone, but they represented a key effort to bring a partnership approach down to the level of smaller retailers, who have typically felt neglected by big vendors.

In a nutshell: this year's Small Chain Conference seemed anything but small.

* * *

On Wednesday we drove from New Orleans, where the Small Chain Conference had been held, to Baton Rouge to look at one of K&B's new prototype stores. The attractive design is described in more detail on page 3, but I'd like to focus in on the new pharmacy department—a radical departure from the K&B pharmacies we saw on the NACDS store tour the previous day. Pharmacy is at the heart of K&B's new, more open design.

In describing it, the words that come to mind are accessible and friendly. Patients have a comfortable place to wait for prescriptions. Contact at the counter between patients and pharmacists or clerks is eyeball-to-eyeball. The drug wall is conveniently adjacent to the department. The vitamin section that fronts part of the department is low-slung so that the pharmacists are completely visible. K&B is even considering a second opening in the middle of the vitamin section to add another measure of privacy for patient consultations.

The new design rates a big A-plus.

* * *

Pass the mustard.

If I'm going to eat my hat, at least I want some flavoring.

The occasion for this mad-hatter meal was my recent and ill-considered prediction that Eckerd would prevail in the battle for Revco. I failed to see that a determined Revco management would reward bettors of what I called the "sentimental money" by hanging tough and ultimately making the game too expensive for Eckerd, tempered by years of close-to-vest cash management.

If Revco management does, in the end, prevail and emerge free of bankruptcy court restraints, there will be benefits, not the least of which is competition. And, from a purely selfish point of view, it's more interesting to report on the exploits of two smaller and very different operations than one huge one.

Anyway, if you're interested in watching me make a meal of my Drug Store News cap, forget it. On this occasion I dine alone.

APhA looks to terminate Robo-Rx'ers

WASHINGTON PERSPECTIVE
KEN RANKIN

Like the displaced factory workers in Kurt Vonnegut's *Player Piano*, pharmacists have long been haunted by the fear that technology may someday render them "redundant."

Here's pharmacy's worst nightmare: computer-driven, in-store vending machines spitting out unit-of-use prescription drugs, complete with cookbook "consultations" via government-mandated patient package inserts.

Just slip the prescription form in the slot along with your "smart" credit card or third-party ID, and out pops the appropriate medicine. There's not even a clerk in sight, much less a pharmacist.

That spectre has been scaring pharmacists unnecessarily for past 30 years. Now, however, the bogeyman might really be just behind the next door.

Technology has reached the point where an automated dispensing function could indeed be designed, and there are people here in Washington who wouldn't hesitate to replace the corner pharmacist with HAL the computer.

The penny-pinchers at the Health Care Financing Administration, for example, are always on the lookout for new ways to slash Medicaid prescription drug costs.

Eliminating the expense of deploying warm-blooded pharmacists behind tens of thousands of drug store pharmacy counters would enable HCFA (and other third-party administrators) to justify big time cuts in pharmacy dispensing fees.

And since the computerized pharmacy vending machines could be programmed to dispense only the absolute lowest price generic to third-party patients, HCFA wouldn't have to spend time bullying pharmacists to select the cheapest possible drug.

Meanwhile, HCFA's sister bureaucrats at the Food and Drug Administration are exploring technological methods of circumventing pharmacists and providing pre-packaged prescription drug information direct to consumers. Their scheme is to resurrect PPIs by requiring electronic dissemination of patient drug information sheets through pharmacy computers.

In addition, the FDA is considering new regulatory restrictions on compounding, the one pharmacy department function that requires a human pharmacist on premises.

Not surprisingly, these developments are causing discomfort among the defenders of organized pharmacy. The agenda for debate at APhA's upcoming House of Delegates meeting includes proposed new policies to:

- oppose the "exclusive use" of unit-of-use prescription packaging;
- declare that "new health technologies should not replace the pharmacist-patient relationship;"
- reaffirm "the prerogative of the pharmacist" to engage in drug compounding; and
- recognize that pharmacists provide valuable "cognitive services" separate from the dispensing of drug products.

Pharmacy's professional centurians are not the only ones who should be concerned about these issues. Everyone associated with the drug store industry has a stake in ensuring that pharmacists are not rendered technologically obsolete.

If prescriptions can be filled by a vending machine in a drug store, there's no reason why automated pharmaceutical dispensers couldn't be placed in post offices, hotel lobbies, race tracks or a hundred other locations.

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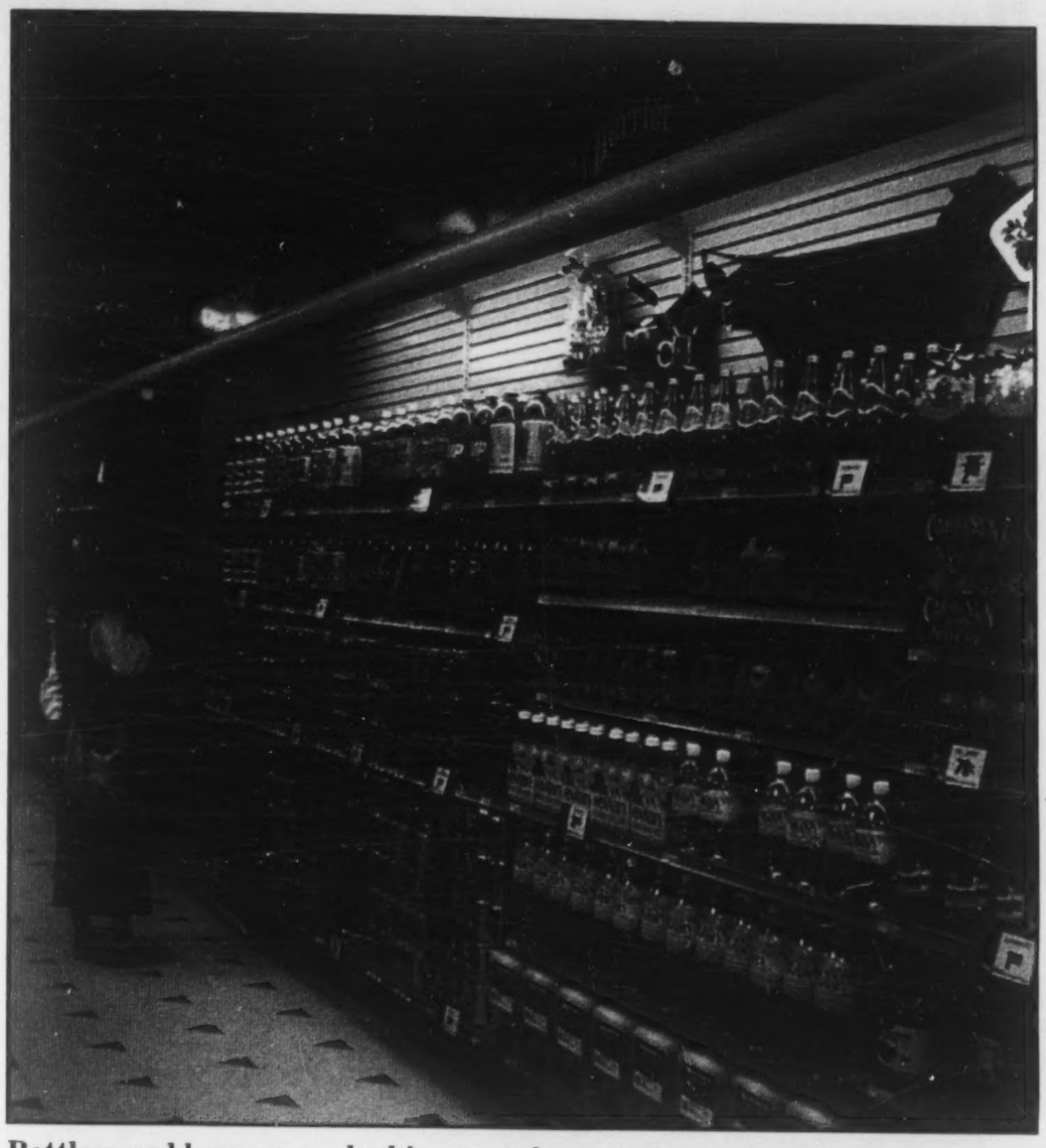
U.S. beverage consumption trends (Gallons in billions/share)	Est. 1991	% Mkt.	1990	% Mkt.
Soft drinks	47.3	25.9	47.5	26.0
Coffee	26.5	14.5	26.4	14.5
Beer	23.1	12.7	24.0	13.2
Milk	19.6	10.7	19.6	10.7
Bottled water	9.9	5.4	9.0	4.9
Tea	6.8	3.7	7.0	3.8
Juices	6.4	3.5	6.2	3.4
Powdered drinks	5.6	3.1	5.7	3.1
Wine	1.9	1.0	2.0	1.1
Distilled spirits	1.5	0.8	1.6	0.9
Imputed water consumption	33.9	18.6	33.5	18.4

Source: Wheat First Securities.



Bottlers and brewers are looking past the recession to drug stores as a lucrative growth area.

Beverages chug along with steady sales, growth

Bargain-hunting and health-conscious consumers push beverage sales in products ranging from soda and fruit drinks to beer, while retailers dig for margin to offset loss leaders.

From single servings up to 24-pack "suitcases," the beverage category is showing steady sales and modest growth in many chain drug stores. Whether the assortment covers cognac to Gatorade or only soda to juice, beverage displays—especially on promotion—add appeal for the convenience shopper.

Analyst John C. Maxwell of Richmond, Va.-based Wheat First says the entire beverage industry was only up around 1.6 percent in 1991, a figure which includes both on-premises and off-premises product movement. Although the recession has impacted beverage sales overall, many bottlers and brewers are looking to drug stores as one of the beverage industry's potential growth areas.

Since 1988 at Walgreens, the beverage category has contributed a steady 12 percent of sales and delivered both unit and dollar growth, performing on a par with Walgreens' expansion. "We feel it's an important part of our merchandise mix. People are looking for consumable items in our drug stores and that's one way we can provide convenience and draw customers into our stores," says spokesperson Mary Ellen Thielen.

Soda accounts for the lion's share of beverage sales in most chain drug stores, but in percentage increases soda isn't growing as fast as other nonalcohol drink categories. Soda pulled a 1 percent unit (gallon) increase in 1991, slightly outpaced by bottled water with a 2.3 percent increase. Water took a dive compared with 1990, however, when it was up 9.4 percent over 1989. As Wheat First's Maxwell observes of frugal consumers: "They're turning on the tap water."

Beer segment market share	1991	1990
Premium	35.2%	36.1%
Premium low cal	24.6	23.6
Popular	11.7	11.8
Economy	8.3	9.1
Low cal popular	6.7	5.7
Imported	4.1	4.5
Malt	3.1	3.1
Dry	2.4	2.1
Super Premium	2.2	2.6
Nonalcoholic	1.1	0.8
Domestic ale	0.7	0.7
Micro brewery	0.3	0.3

Source: Beer Marketers Insight, West Nyack, N.Y.

The fruit drink category showed the highest percentage of growth in all outlets, with a 9.7 percent increase over 1990 (100 percent juice was up 5.2 percent), according to Hellen Berry, vp-marketing for Manhattan-based Beverage Marketing Corp.

Some of the fruit beverage growth last year resulted from high citrus prices in 1990, which shifted sales from OJ to blended drinks. But the fruit-drink increase is mainly fueled by health-conscious consumers and new product. "There is a tremendous amount of activity in blends, with a lot of new and exotic blends like mango, kiwi, passion fruit," says Berry. An example is fruit blend Tropicana Twister, of which Tropicana spokesperson Kellee Johnson says, "It has been phenomenally successful in the past year."

Some drug chains treat juice and fruit drinks as a promotional rather than an everyday item. Gordon O'Reilly, vp-merchandising for Seattle-based Bartell Drug, cites Ocean Spray 64 oz. as the stores' most successful juice promotion.

The expanding fruit drink category appears to have a future, judging by beverage industry research. The big bottlers, too, are reaching for growth through other kinds of beverages besides carbonated sodas (the two big bottlers have new programs for single-serve tea, Coke in a joint venture with Nestea and Pepsi in a deal with Lipton). Pepsi spokesperson Gary Gerdemann says fruit drinks "are a big thing, both in new product and by making it as available as a can of Pepsi," which the bottler plans to do through a distribution deal with Ocean Spray, focusing on single-serve cans.

Water to go

More consumers may be turning on the tap, but bottled and flavored water is still showing growth. At Troy, Mich.-based Arbor Drugs, spokesman Frederick Marx notes that Clearly Canadian and Evian lead the pack in the water category, "which continues to be a standout, particularly in sparkling and natural." Arbor has increased space dedication and ad activity because the category is trending so well, says Marx.

Continued on page 10

Brewers tap drug stores for heady growth

Beer sales are rising faster in drug chains than in any other trade class, according to Mark Danner, vp of national account sales for Anheuser-Busch. "Our drug chain business is up this year, although overall business is fairly flat," agrees Rod Takakawa, regional national accounts manager for Coors.

Untapped markets

Supermarkets hold the lead in volume, but from the viewpoint of untapped potential, drug stores are racking up the greatest percentage gains year to year. Not all states allow beer to be sold in drug stores, and in some states stores are legally barred from selling cold brew. Nonetheless, Danner cites a recent study which shows that in drug chains nationally, 53 percent of beer is rung up cold, while 47 percent is a warm carry-away.

As a promotional category for Drug Barn in San Francisco, which began carrying beer six months ago, the category proved to be a hit. "We're doing tremendously with beer," says buyer Brian Black, who explains that beer is a better traffic-builder than a money-maker at this discount outlet.

Despite increases in these segments, beer was down 2 percent (product shipped) in 1991, according to John C. Maxwell of Wheat First Securities in Richmond, Va., who explains that the slide was caused by the recession and by an earlier inventory buildup, as retailers and wholesalers

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Beverages chug along at chains

Continued from page 9

Analyst Maxwell concurs that the Canadian product (natural plus six flavors) with its striking bottle design "is doing well." Clearly Canadian's chief operations officer Glen Foreman notes that around 6-8 percent of its sales are in drug store chains.

Both fruit and water drinks fall loosely into the vague "new age" or alternative beverage category. Packaged Facts, a New York-based market research company, defines new age beverages as "flavor essence waters, juice sparklers and gourmet and natural sodas," according to president David A. Weiss. Coke's 25-year-old grapefruit drink Fresca was recently enhanced with new packaging and graphics, positioned as an upscale, low-calorie alternative to waters.

Soda deals

Despite the modest uptrend in fruit drinks and water beverages, soda and traditional colas still generate high-volume beverage sales for chain drug stores, driven by brand and promotion.

Marx at Arbor Drug observes that "soft drinks just keep on growing. Every promotional vehicle features a soft drink, and it works." Similarly, Bartell's O'Reilly says, "We promote it heavily in our ads at very low prices and build end displays." At Snyder's Drug Stores in Minnesota, vp-marketing Philip Perkins says soda is less a traffic builder than a price-image item.

Discounter Drug Barn in San Francisco trims the SKUs, too. Buyer Brian Black says, "We do a tremendous job with sodas and we only carry the tall pack and 2 liter." With cola multipacks and 2 liters moving out on promotion, the more profitable per-unit single serves offers a chance to make up margin.

Sports nutritionals

With its grasp of around 90 percent of the sports beverage market, Gatorade is clearly the leader in the sports beverage category, despite slight inroads by other products. Beverage analyst John Maxwell expects Gatorade to show growth every year. Despite its media visibility, the retailers surveyed by *Drug Store News* often sell sports nutritionals solely on promotion.

Beer tapped at chains

Continued from page 9

stocked up to beat a tax-increase deadline.

A staple or just a sampling?

Switching from sell-in to sell-through: splashy beer promotion works well in many drug store chains, while some consider it a core category and others opt for a low profile. Troy, Michigan-based Arbor Drugs applies an "urban strategy" for its beer and wine assortment, says Frederick Marx, who notes that "beer is a staple; it's expected." Drug Barn features beer in its monthly circulars and features it off-shelf in massed displays.

On the other hand, Minnetonka, Minn.-based Snyder's Drug carries beer in only a few of its stores, as does Seattle-based Bartell Drug, whose vp-merchandising Gordon O'Reilly says of wine and beer: "We put them in and thought we'd try it." At Deerfield, Ill.-based Walgreens, the assortment ranges from a full liquor department to beer and wine only, or in some cases (usually where prevented by law), no liquor department at all.

Newer categories

What's hot among the cool ones? Comparing the dozen beer segments, premium low calorie, low cal popular, dry and nonalcoholic segments showed increases in 1991. The low cal and nonalcoholic segments reflect increasing consumer health concerns.

Miller's Genuine Draft Light grew at "a double digit rate" last year, says Miller spokesperson Ron Richards. The nonalcohol category "has had a particularly robust movement from 1990 to 1991," says Paul Gillette, editor of *California Beverage Hotline*. As one brewer points out, the anti-drunk driving movement prods the nonalcohol category, and more cautious consumers are switching to avoid DUIs.

The dry category is more elusive. Takakawa describes Coors Dry and its new Keystone (popular) Dry: "It's a perception, like dry wine. It's difficult to quantify, but people know when they have a dry wine or beer."

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Hot new items set pace in hair, skin care

To identify some of the fastest growing new HBA items, Drug Store News *asked Towne-Oller and Associates to generate a movement ranking based on the average per-month dollar volume of items that were added to the Towne-Oller chain drug audit between January and June 1991.*

Each item in the ranking had at least six months activity in the chain drug audit as of December 1991.

We believe these rankings can be an invaluable tool for buyers looking to spot "hot items" among the thousands of annual new launches. We also think readers will be able to spot segment trends faster by scanning the charts.

For example, this is the first year that hair care buyers, interviewed by Drug Store News *for a category merchandising story, singled out the Russ Kalvin Alternative Salon Professional shampoos and styling aids as hot products.*

Some lesser known lines have a chance to shine here as well. Look at how well Freeman is doing with some formulas from their newest line Pelisima, and don't overlook the presence of others such as Queen Helene Placenta Shampoo or Jheri Redding Tropics Strawberry Formula.

And while dozens of copycat anti-frizz products are now hitting the market, the first anti-frizz mass brand, John Frieda's Frizz-Ease, held the No. 1 ranked new product launch in the styling category, Frizz-Ease Serum, 1.69 oz.

Towne-Oller and Associates is a market research firm headquartered in New York.

Top 25 new items in styling aids*

Rank	Item	Months of activity
1.	Frizz-Ease Serum, 1.6 oz.	8
2.	Aussie Mega Styling Spray 14+14 Twin	10
3.	Aussie Sprunch Non-Aerosol 12+12 Twin	10
4.	L'Oréal Studio Twirling Curl, 8 oz.	11
5.	Aussie Aerosol Instant Freeze, 7 oz.	8
6.	Vital Care Mega Gel, 8+8 oz.	12
7.	LA Looks Mega Spritz, 7 oz.	10
8.	LA Looks Curling Gel, 7 oz.	11
9.	Citré Shine Liquid Reflector Gloss, SPF 8	12
10.	LA Looks Extra Super Hold Spritzer, 10 oz.	7
11.	Halsa Spray Styling Gel Maximum, 6 oz.	10
12.	Halsa Spritz Maximum Scented, 8 oz.	10
13.	LA Looks Mega Mousse, 7 oz.	8
14.	Halsa Styling Gel Maximum, 4 oz.	10
15.	LA Looks Mega Styling Spray, 7 oz.	7
16.	Dep Working Spritzer #1, 7 oz.	9
17.	Queen Helene Placenta Styling Gel, 16 oz.	12
18.	Freeman Pelisima Volumizing Gel, 5 oz.	6
19.	Aqua Net Shape & Shine Gel Spray, 7 oz.	12
20.	Halsa Spritz Maximum Unscented, 8 oz.	10
21.	Freeman Pelisima Spritzer, 7.6 oz.	6
22.	Freeman Pelisima Spray Gel, 7.6 oz.	6
23.	Hard Rock Spray-On-Gel, 8 oz.	10
24.	Wella Shock Waves Spritz Aerosol, 10 oz.	12
25.	Stiff Stuff Pump Spray, 12 oz.	12

Source: Towne-Oller.
*By average monthly chain drug store dollar volume for products introduced into the drug/food trade classes during the first six months of 1991.

Top 25 new items in face creams and lotions*

Rank	Item	Months of activity
1.	Sudden Change Protein Skin Smoother, 5 oz.	12
2.	Olay Ultra Violet Beauty Fluid Fragrance-Free, 3.5 oz.	10
3.	Olay Ultra Violet Beauty Fluid, 3.5 oz.	10
4.	Olay Ultra Violet Beauty Fluid, 5.25 oz.	10
5.	Olay Ultra Moisture Replenishment Cream, 1.7 oz.	10
6.	Olay Ultra Violet Beauty Fluid Fragrance-Free, 5.25 oz.	10
7.	Olay Ultra Moisture Replenishment Unscented, 1.7 oz.	10
8.	Purpose Gentle Cleansing Wash, 6 oz.	8
9.	Revlon Almond Mask/Walnut Scrub	12
10.	Rejuvia Clay Mask, 4.25 oz.	9
11.	Revlon Peaches Night Cream Moisturizer 8 oz.	12
12.	Rejuvia Vitamin E Collagen Mask, 4.25 oz.	12
13.	Almay Sensitive Cleanser, 7.75 oz.	11
14.	Revlon Citrus Face Cleanser, 8 oz.	12
15.	Revlon Buttermilk/Honey Cold Cream, 8 oz.	12
16.	Revlon Seasalts Gel Moisturizer, 8 oz.	12
17.	Revlon Primrose Soothing Moisturizer, 8 oz.	12
18.	Almay Anti-Bacteria Cleanser, 8 oz.	11
19.	Revlon Peppermint Skin Toner, 8 oz.	12
20.	Revlon Lavender Facial Toner, 8 oz.	12
21.	Revlon New Age Naturals Travel Kit	9
22.	Alivio Aloe Cocoa Butter Lotion, 8 oz.	12
23.	Rejuvia Aloe Mask, 4.25 oz.	12
24.	Max Factor Cleanse-A-Gel, 6 oz.	10
25.	Cabot Vitamin E Facial Scrub, 2 oz.	12

Source: Towne-Oller.
*By average monthly chain drug store dollar volume for products introduced into the drug/food trade classes during the first six months of 1991.

Top 25 new items in shampoos*

Rank	Item	Months of activity
1.	Finesse Shampoo Plus Conditioner Reg., 10 oz.	9
2.	Salon Selectives #6 Extra-Body Shampoo, 15 oz.	7
3.	Finesse Shampoo Plus Conditioner Reg., 15 oz.	9
4.	Perma-Soft 1-Step Xtra-Conditioning, 10.5 oz.	9
5.	Prell Moisturizing Shampoo, 15 oz.	10
6.	White Rain Plus Xtra-Body, 11 oz.	12
7.	Perma-Soft 1-Step Reg.-Conditioning, 10.5 oz.	9
8.	Infusium 23 Maximum Body Shampoo, 12 oz.	12
9.	White Rain Plus Replenishing Shampoo, 11 oz.	11
10.	St. Ives Apple Mint Sham/Cond. Twin, 16 oz.	10
11.	Infusium 23 Moisturizing Shampoo, 12 oz.	12
12.	St. Ives Cream Rose Moisturizing Sham/Cond. Twin, 16 oz.	7
13.	Perma-Soft 1-Step Light-Conditioning, 10.5 oz.	8
14.	Suave Perm & Color Shampoo, 16 oz.	7
15.	Prell Moisturizing Shampoo, 7 oz.	9
16.	Suave Plus Shampoo/Conditioner Nor/Dry, 16 oz.	11
17.	Infusium Perm Color/Treated Shampoo, 12 oz.	12
18.	Suave Plus Shampoo/Conditioner Xtra Body, 18 oz.	11
19.	Style Plus Extra Conditioning Shampoo, 15 oz.	12
20.	Dep Shampoo/Conditioner Xtra Body, 11 oz.	10
21.	Freeman Pelisima Gentle Shampoo, 11.5 oz.	6
22.	Freeman Papaya Shampoo, 3.8 oz.	12
23.	Style Plus Regular Conditioning Shampoo, 15 oz.	12
24.	Finesse Extra Body, 22 oz.	10
25.	Dep Shampoo/Conditioner Xtra Cond., 11 oz.	10

Source: Towne-Oller.
*By average monthly chain drug store dollar volume for products introduced into the drug/food trade classes during the first six months of 1991.

Nielsen studies show challenges for drug outlets in hair, skin care

Mass merchandise chains are grabbing share in the skin and hair care categories, as drug and food store operators cope with flattening and declining sales.

In hair care, the biggest dollar volume HBA category, mass merchandisers were able to generate a 7 percent dollar volume gain during the first 10 months of 1991, according to Nielsen Market Research.

Photo: Alberto Culver Looks of America Collection.

The layered look is back, as personified in this creation from stylist Charles Ifergan.

'The best we can do is try to stay even (with the deep discounters) and that eats deeply into profits.'

— Monk

Their gain came at a time when the category itself was down in mass, dropping 2 percent to $3.5 billion for the 10-month period.

Drug and food stores equally bore the burden of lost sales. Nielsen reports that the hair care category was down 4 percent in dollar sales in each of these trade classes.

Hair color gained 2.5 percent, and was the only hair care segment that went up in the drug store industry for the first 10 months of 1991.

For the same period, sales of hair color in food stores dropped nearly 1 percent. But in mass merchandisers, where the category is aggressively advertised and promoted, dollar sales were up 14 percent.

Shampoos were up dramatically in mass merchandisers stores but down in drug stores. According to Nielsen, dollar sales of shampoos were up 10 percent in mass merchandise stores while they were down 4 percent in drug and 2 percent in food.

In skin, dollar sales in all mass market stores were up 2 percent to $1.9 billion for the first 10 months of 1991.

However, drug store sales within the category were down 2 percent for the 10 months, while food store sales of skin care suffered a 1 percent decline.

Mass merchants, on the other hand, powered 15 percent gains. Wal-Mart, Kmart and Target are expanding their presence in skin care, just as in hair care, by allocating more space and advertising for beauty care

"Everyone these days uses HBA items as leaders in their advertising," says Robert Burtis, hair and skin care buyer for New York-based Kinney Drug. "Everyone's out there picking up our brands and virtually giving them away. To compete on the popular brands, drug stores have to practically give them away too."

The latest category to come to the attention of mass merchandisers is bath care. Sales of bath products were up a whopping 34 percent in mass merchandise stores for the first 10 months, according to Nielsen, while the category was up just 8 percent in drug stores and 5 percent in food stores.

Face creams and lotions were up 20 percent in mass merchandise stores, compared to a 4 percent increase in food stores and a 2 percent decline in drug stores. Sun care products were up 16 percent in mass merchandise stores, compared to a 2 percent increase in food stores and a 2 percent decline in drug stores.

Photo: Alberto Culver Looks of America Collection.

Hair designer Dusty Fleming creates a "California Natural" style.

According to Nielsen, mass merchandise stores have increased their dollar sales share of hair care by 4 percentage points in the past seven years. For the first 10 months of 1991, mass merchandisers had a 26 percent share of hair care sales, compared to a 22 percent share in 1984.

They also picked up 4 percentage points in skin care sales. For the first 10 months of 1991, mass merchandisers had a 23 percent share of all skin care sales, compared to a 19 percent share in 1984.

All their gains in skin care sales came at the expense of drug stores. According to Nielsen, drug stores had a 51 percent share of skin care sales in 1984 but only a 47 percent share for the first 10 months of 1991.

'The two big buzz words in hair care today are anti-frizz and shine.'

— Carlson

In hair care, mass merchandisers took much of their growth from the food store trade class, but drug stores also lost some share in this category as well.

In 1984, drug stores had a 37 percent share of hair care sales. For the first 10 months of 1991, they had a 36 percent share. In 1984, food stores had a 41 percent share of hair care sales. In 1991, their share had dropped to 38 percent.

Hair care dollar sales by trade class

(in millions)

Segment	All trade classes	Drug stores	Food stores	Mass merchandisers
All HBA	$27,977.5	$10,435.3	$11,652.0	$5,890.3
All toiletries	13,302.1	5,419.5	4,793.0	3,089.5
Hair care	3,564.4	1,262.4	1,361.4	940.6
Shampoo	1,294.4	350.8	617.6	326.0
After shampoo	704.9	246.8	287.6	170.4
Hair color	524.3	267.3	97.7	159.2
Hair fixatives	502.2	146.9	213.0	142.4
Ethnic hair preps	225.9	132.7	43.4	49.8
Mousse	113.9	34.9	46.8	32.2
Home wave kits	100.7	44.9	17.7	38.1
Men's hair preps	98.2	38.1	37.6	22.6

First 10 months.
Source: Nielsen Marketing Research.

Value- and premium-labels lift hair care

Hair care buyers for chain drug stores are continuing to report flat sales in the early part of 1992.

Recession-weary consumers are opting for value-priced brands or looking for extra value from the higher-end premium lines. Buyers say the mid-priced brands are getting lost in the shuffle, and dollar sales are stagnant as a consequence.

However, there are a few bright spots, and they are chiefly premium-priced brands with heavy advertising support behind them like Salon Selectives, two-in-one formula brands like Pert Plus, value-priced brands like White Rain and specialty items that treat problem hair.

"The two big buzz words in hair care today," says Snyder Drug's hair care

Continued on page 16

Aggressive marketing makes hair products successful

Continued from page 15

buyer Paul Carlson, "are anti-frizz and shine."

"Professional hair care is hot," says Harco's hair care buyer Charles Monk. "The anti-frizz products are doing well. We have been testing some knock-offs of the premium salon brands and they are selling very, very well."

The next wave?

Dave McDermott, Perry's hair care buyer, says that the new wave is for products that add shine or eliminate frizz.

"Before that, it was the curl," he says. "I would say the two-in-one formulas are now in the middle of a wave. They are still growing, but they could be getting closer to peaking."

McDermott says that vendors are saying that the next "big wave" is going to be hot oil treatments. "I'm going to wait and see before I react. Vo5 owns that category now, and I don't think there's that much of a demand or that much of a need for many more new items."

Monk says Harco is doing well with all the anti-frizz products, hot oil treatments, premium brands like Colorvive and just about every product that contains the word "moisturizing" on the label.

Shine enhancing products and pacquettes of specialty items like the TRESemme mini pack, the Fermodyl Moisturizing Recovery pacquette, the Frizz-Ease Serum pacquette and the Citré Shine pacquette also sell well in Harco stores, plus they deliver a higher-than-average gross margin.

Photo: Alberto Culver Looks of America Collection.

Hair dresser Tim Casey created this "city sophisticates" style for the 1992 Alberto Looks of America Collection.

Dave McDermott of Perry says that the new wave is for products that add shine or eliminate frizz.

Pacquettes a hit

"The Wal-Marts and deep discounters have killed the shampoo market for us because we just can't match them on price," says Monk. "The best we can do is try to stay even and that eats deeply into profits. But we can sell the pacquettes for 89 or 99 cents and still make 40 or 50 percent gross."

Shine enhancers popular

Carlson says one of the first lines into the shine enhancer category, Pantress's Citré Shine line, is doing extremely well at Snyder. Pure Shine from Hask has done well. "It has a neat package," he says. "The box is shaped with sides like a mirror so it stands out."

L'Oréal's Colorvive makes shine enhancement claims targeted toward the large population of American women who color their hair. Colorvive is a premium-priced line, so its unit sales are not as dramatic as those for value-priced brands like White Rain or Suave. However, buyers say that, based on dollar sales and profits, the line is successful for them.

"Colorvive's doing very well for us," says Kinney's Robert Burtis. "We're seeing very good sales. We just got Permavive in, and we think that will be good, too.

"L'Oréal's just doing a good job of coming out with new items that don't take up much space but deliver good sales and good profits," he added.

Among the major vendors, buyers say that L'Oréal with Colorvive and Studio Line, Helene Curtis with Finesse, Salon Selectives and Suave, Gillette with White Rain, P&G with Pert Plus and Vidal Sassoon, and Alberto Culver with Vo5 and TRESemme, have been showing the strongest growth within hair care.

Importance of marketing

"The category overall is flat, but there are shifts from one company to another," says Drug Emporium's HBA director Dale Rogers. "The success of a brand depends entirely on how aggressively a company is marketing its brands. The ones with the strong marketing programs—P&G, Helene Curtis and L'Oréal—are all doing very well."

Now, Helene Curtis is launching Vibrance shampoos and conditioners. "Helene Curtis and Procter & Gamble have deep pockets to prime the pump," says Carlson. "When they introduce something, it is usually innovative, and they support what they launch."

According to McDermott, "My sales with Helene Curtis and Alberto are up. Alberto Vo5 dominates the hot oil category. Salon Selectives, Finesse and Suave are doing great and Vibrance looks like a win-win situation. It's in the premium segment where we're seeing very good growth, the packaging is great and the launch program looks super."

Newer anti-frizz products

Among the newer anti-frizz items that buyers say are doing well are Del's Frizz Tamer and the L'Oréal Studio Line Anti-Frizz. John Frieda's Frizz-Ease, which was the first anti-frizz brand, is still maintaining momentum even with price points averaging $9.99 per bottle.

Share of dollar sales shift in hair care

Segment	Drug stores (% share) 1984	Drug stores (% share) 1991*	Food stores (% share) 1984	Food stores (% share) 1991*	Mass merchandisers (% share) 1984	Mass merchandisers (% share) 1991*
All HBA	40%	37%	43%	42%	17%	21%
All toiletries	43	41	37	36	20	23
Hair care	37	36	41	38	22	26
After shampoo	38	35	43	41	19	24
Shampoo	28	27	51	48	21	25
Hair color	53	51	17	19	30	30
Hair fixatives	30	29	44	42	26	29
Ethnic hair preps	58	59	27	19	15	22
Men's hair preps	37	39	44	38	19	23
Home wave kits	50	44	19	18	31	38
Mousse	49	31	32	41	19	28

*First 10 months.
Source: Nielsen Marketing Research.

Growth in hair care dollar sales

(First 10 months of 1991)

Segment	All trade classes % chng	Drug stores % chng	Food stores % chng	Mass merchandisers % chng
All HBA	2.8%	0.6%	0.9%	11.7%
All toiletries	0.9	(1.3)	(1.8)	10.0
Hair care	(1.4)	(4.2)	(4.2)	7.1
After shampoo	(3.6)	(6.0)	(5.6)	4.0
Shampoo	0.2	(4.1)	(1.8)	9.9
Hair color	5.0	2.5	(0.6)	13.6
Hair fixatives	(3.8)	(6.5)	(6.6)	4.1
Ethnic hair preps	(5.0)	(5.7)	(8.6)	0.2
Men's hair preps	(8.3)	(9.3)	(11.9)	0.5
Home wave kits	(7.6)	(11.7)	(13.7)	1.4
Mousse	(4.5)	(7.5)	(7.6)	4.3

Source: Nielsen Marketing Research.

Chains try new skin care programs to drive growth, make shopping easy

Chain drug store operators see skin care as an important area of opportunity, and they are experimenting with different presentations to drive dramatic growth.

Drug Emporium, F&M and Eckerd, for example, have merchandising programs that enhance upscale lines in a skin care center or regimen department. They are reporting faster growth than chains that have a traditional skin care set, or with commodities in toiletries and family sets for franchised skin in cosmetics.

F&M

In Detroit, Pat Gardocki, director of cosmetics for F&M, says the deep discounter has developed several merchandising presentations for upscale skin care lines.

Like most chains, F&M merchandises family lines like Revlon, Almay and Clarion on the wall with color cosmetics, but in some stores, they also cross merchandise these lines in what Gardocki calls the chain's new "regimen" skin care department.

The 24-foot vertical skin care regimen set is in F&M's newest prototype stores, but Gardocki says the presentation is so attractive, the chain plans to put it in all new and remodeled stores. A smaller variation of the set with space allocations that fit existing store needs is in the works.

In the prototypes, skin toiletries, skin regimen lines, bath and cosmetic have two full aisles on both sides of the gondola plus a third adjacent aisle.

Within cosmetics is another new F&M merchandising concept, a teen and preteen toiletries department, stocked with lines like Natural Glow, Bonne Bell, Petite Naté, Tinkerbell and Barbie.

In its continuing quest to improve presentations, the chain is testing the merchandising of Almay toiletries on the wall with the Almay skin care and cosmetics.

Gardocki explains that the chain is trying to develop planograms that organize departments the way customers use them. "The customer doesn't distinguish between Neutrogena as an HBA line, or Almay as a franchised line. That's a distinction we make as retailers. We think that customers who are interested in regimen skin care or in family lines want to see them merchandised together. It's easier for them."

In addition to its new regimen planogram, F&M has another skin care presentation. It merchandises prestige lines, like Estée Lauder and Clinique that are primarily sold in department stores, inside their service showcases where they keep prestige department store fragrances.

"We think the way to continue to build sales is through presentation and service," Gardocki says, adding that the chain provides service through a strong emphasis on cosmetician training.

Smaller family lines like CCA's Sudden Change are merchandised in the "assorted section" of F&M's basic cosmetic set, with miscellaneous products like false eyelashes.

The chain is testing a new line of carded skin care specialty items that pull together about 15 different treatment products under one label: the Signature brand from Winarick. "They have the specialty types of items you can buy in department stores like a wrinkle serum or a eye defense gel, but their pricing is very moderate, between $4 and $6," she says.

"I think if you can pull these little specialty items together under one brand with reasonable retails, you have a better presentation and the chance to induce more customers to try the items," says Gardocki.

Now that Revlon is rolling back prices 50 percent on Pure Skin Care, New Age Naturals and Anti-Aging, Gardocki thinks there is an opportunity to drive sales by using price as a merchandising focus within the stores.

Longs Drug

On the West Coast, Longs Drug has also noticed a growing consumer demand for specialized skin care items.

"We're getting numerous calls for Sudden Change, and I think it's because of the advertising they're breaking," said Carolyn Redmond, cosmetic manager for a Longs store in Auburn, Calif. "We've had Covermark about six months now and it's constantly moving. I think that's because there's a market for it. The other cosmetics we stock aren't meant to camouflage flaws. Covermark fills an unmet need."

As a decentralized chain, Longs stores are allowed tremendous discretion when it comes to merchandising. In the Auburn store, Redmond has chosen to merchandise Covermark on the wall next to Physician's Formula.

Redmond stocks enough SKUs to give the line a family presentation. She has six shades of powders plus make-up removers and Leg Magic. Covermark provides testers as well as shelf talkers, and their representative is trying to set up some in-store makeovers as well as cosmetician training schools.

Redmond says the company itself is good to work with and her particular representative is fair, dependable and creative.

In the summer, when women worry about varicose veins and capillaries, she can't stay in stock with Covermark. Hypo-allergenic cosmetics do well in her store including Physician's Formula, Allercreme and Clarion.

Genovese Drug Stores

In New York, Stephanie Hayter, who buys cosmetics for Genovese Drug Stores, is waiting to see if Revlon's recent 50 percent price roll back on New Age Naturals and Pure Skin Care will spur growth. "It could be good or it could just make it harder to get the dollar sales we generated last year."

She hopes that Noxell's current relaunch of its Clarion line will help skin treatment

Continued on page 20

Share of dollar sales shift in skin care

Segment	Drug store (% share) 1984	Drug store (% share) 1991*	Food store (% share) 1984	Food store (% share) 1991*	Mass merchandisers (% share) 1984	Mass merchandisers (% share) 1991*
Total HBA	40%	37%	43%	42%	17%	21%
Total toiletries	43	41	37	36	20	23
Skin care	51	47	30	30	19	23
Bath products	48	46	32	29	20	25
Depilatories	58	56	24	23	18	21
Face creams/lotions	58	55	24	24	18	21
Hand & body lotions	47	43	36	35	17	22
Chapped lip preps	47	40	35	38	18	22
Suntan lotions/oils	57	48	25	30	18	22
Baby lotion	29	25	44	38	27	37
Baby oil	31	31	45	41	24	28

*First 10 months
Source: Nielsen Marketing Research.

Skin care dollar sales by trade class
(in millions)

Segment	All trade classes	Drug stores	Food stores	Mass merchandisers
All HBA	$27,977.5	$10,435.3	$11,652.0	$5,890.3
All toiletries	13,302.1	5,419.5	4,793.0	3,089.5
Skin care	1,857.3	881.6	555.9	419.8
Face creams/lotions	570.9	311.6	136.0	123.4
Hand & body lotions	506.5	219.2	177.2	110.1
Suntan lotions/oils	379.3	181.4	113.6	84.2
Bath products	206.7	95.9	58.8	52.1
Baby oil	62.7	19.5	26.0	17.3
Chapped lip preps	60.5	24.2	23.2	13.2
Depilatories	39.0	21.9	9.1	8.0
Baby lotion	31.5	8.0	12.1	11.5

*First 10 months.
Source: Nielsen Marketing Research.

The 24-foot vertical skin care regimen set. . . is so attractive, F&M plans to put it in all new and remodeled stores.

As a decentralized chain, Longs stores are allowed tremendous discretion when it comes to merchandising.

Chains try new skin care programs to drive growth

Continued from page 18
sales. "They're using more shelf talkers to identify specific product benefits and that could be good," she says.

Hayter thinks Almay's Problem Solution skin care launch should do well. "Women should find it easy to use, since Almay links the problem with the solution products in the line."

Hayter is worried that the economy may force many major vendors to cancel training sessions, and without proper training, in-store cosmeticians will find it much harder to recommend higher-ticket skin care purchases.

Harco Drugs

In Alabama, Charles Monk, skin care buyer for Harco Drug, says he's constantly updating his planogram and is bringing in Almay's Problem Solutions, the new Pond's cleansers, Nivea collection and Plénitude packaging.

Facial cleansers and bath products are doing particularly well for the chain right now. Monk is going to add a six-SKU assortment of Vitabath to satisfy customers who want a premium line of products. "Women are working today, and every now and then, they want to treat themselves to a nice bath oil or a bubble bath—something relaxing—and they'll pay more for a nice product," he says.

Growth in skin care dollar sales

(First 10 months of 1991)

Segment	All trade classes % chng	Drug stores % chng	Food stores % chng	Mass merchandisers % chng
All HBA	2.8%	0.6%	0.9%	11.7%
All toiletries	0.9	(1.3)	(1.8)	10.0
Skin care	1.8	(1.6)	(1.2)	14.8
Bath products	12.2	7.5	4.7	33.9
Depilatories	(5.4)	(6.4)	(11.1)	5.3
Face creams/lotions	3.7	(1.6)	3.7	19.9
Hand & body lotions	(2.1)	(2.0)	(6.3)	5.4
Chapped lip preps	3.6	1.8	(0.1)	15.1
Suntan lotions/oils	1.2	(4.7)	1.7	15.7
Baby lotion	(8.3)	(19.8)	(10.4)	4.6
Baby oil	(0.6)	1.5	(5.1)	4.5

Source: Nielsen Marketing Research.

He will adopt the same presentation for premium bath lines as he used for premium priced shampoos. "I'll place them on the top two shelves at eye level," he says, "so they'll be one of the first things that shoppers see. It worked in shampoos, and I think it will work in bath."

Cullum

Phil Turner, a Cullum cosmetic buyer in Texas, says he's in the process of changing over to a family merchandising presentation, which will let the franchised skin treatment lines be merchandised next to their sister lines in color cosmetics, and he's hoping that may spark sales.

"Plénitude is the best line that we have right now," he says. "Their new eye cream has been particularly strong."

Revco D. S.

At Revco, franchised skin care sales are soft. Buyer Judy Wray says the only major line really doing well for her is Almay, whose sales are up in the low double digits vs. last year.

Wray isn't excited about Revlon's price rollback, reasoning that the move may cause Revlon to lose face with skin care customers. She is excited about specialty items that are showing growth at Revco. Lines like Winarick's Signature Specialty Skin Care, CCA's Sudden Change and West Cabot are "real niche businesses that are very interesting to develop," she says.

She thinks specialty items have been successful because "they fill needs that aren't being addressed by homogeneous mass market items.

"It's similar in a sense to popular radio programing," says Wray. "I may like to listen to the radio station that plays the Top 40 hits of the week, but then there are certain songs you like that aren't in the Top 40 and I want to hear them too."

She says Revco has been focusing more on merchandising with the side wing program; wire racks that fit over the sides of end caps and can hold product both pegged and nonpegged. "It's given a lot of extra space to use for new items, and that's saved them from getting lost on the wall. We keep Sudden Change in a side program for three months and support it with ad circulars and tag television ads."

Right now, the fuller line of Signature products is on the wall with the West Cabot specialty items.

They're adjacent to the Corn Silk line and cosmetic brushes in a department designated as "cosmetic accessories." But down the line, Revco may create a specialty set just for such items. Sources say CVS is also examining such an option.

F&M's Gardocki, who can track movement through front-end point-of-sale reports, says that in addition to specialty items, eye care products are also showing particularly good growth.

In her franchised set, she says moisturizers are currently selling better than cleansers. But in the HBA department, sales for cleansers are much stronger.

She has had the new Almay Problems Solution line on promotional floorstands and sales are very good, but it's slated to go into the skin regiment department.

Snyder Drug Store

In Minneapolis, Susan Lund, cosmetics buyer for Snyder Drug Store, says her skin care sales are still growing, but her strongest business is coming from the well-known brands that are merchandised on the wall in cosmetics.

"The smaller brands are slow. People seem to be buying what they see advertised: Plénitude, Almay and Olay," said Lund.

She says Almay's skin care is doing well. "They have a lot of nice little niche items and people like them. Everyone likes to think they have sensitive skin too, and that image has helped Almay." Almay's teen line also shows promise, she added.

Bonne Bell skin care also does great for Snyder, Lund says. "Their whole 10-O-6 line really moves for us. They don't have real deep pockets for advertising, but they do enough to keep their name visible and viable."

She is curious about Revlon's 50-percent price cut but says, "Revlon also needs to do a little more national advertising on skin care. It's the same as their fragrances. They're not supporting it to the extent they should."

Physicians Formula is in about 15 Snyder stores, and doing well.

Lund says she doesn't have enough space to put the line into all her existing stores, but as Snyder remodels or opens new stores, they pick up every store.

The facial masques from West Cabot do well in the chain. "They are cheap and a good way to get people to try the category and the line," she says.

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O&M 4th-qtr. sales, net income climb

RICHMOND, Va. — Owens & Minor, Inc. announced that its sales for the fourth quarter ended Dec. 31, 1991 were a record $352.4 million, up 11.4 percent from $316.3 million during the fourth quarter of 1990. Net income for the three-month period increased 25.5 percent to $3.5 million in 1991 from $2.8 million during the same period in 1990.

As for the 12 months ended Dec. 31, 1991 were a record $1.3 billion, an increase of 8.3 percent from the $1.2 billion sales O&M reported for the same period in '90. Net income for the 12-month period was $12 million, compared to $8.8 million for the same period in '90, an increase of 37.1 percent.

G. Gilmer Minor III, president and ceo said: "Improvement over the prior year was evident in every major financial category. . . We accomplished our goal of increasing our gross margin, not necessarily by raising prices but by controlling our business more effectively and managing our inventory to take better advantage of our size in the marketplace."

Minor said that the acquisition of Koley's Medical Supply in Nebraska and Des Moines, Iowa, completed in December 1991, gave the company further penetration in the Midwest.

He added that the announced signing of a definitive agreement with Bergen Brunswig Corp. to sell Owens & Minor's wholesale drug business would strengthen O&M's balance sheet, improve profitability and allow the company to enhance its position as the second largest medical/surgical distributor in the U.S.

Ralphs Grocery Co. to change ownership through stock swap

COMPTON, Calif. — Ralphs Grocery Co., operator of 158 stores in southern California, was due at press time to change ownership through a stock swap this month as part of a bankruptcy reorganization plan filed by its parent company, Federated Stores, Inc., a subsidiary of Canadian-based Campeau Corp.

The change will establish Ralphs as a completely separate entity compared with its current status as a separate subsidiary of Federated, although the latter did enable Ralphs to avoid bankruptcy when its parent filed for Chapter 11 protection in March 1990.

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Largest Dollar Gainer	Taro-Vit Industries	$ 2.88	Advances	22
Largest Dollar Loser	Carter-Wallace	$ – 13.00	Declines	37
Largest Percentage Gainer	Taro-Vit Industries	33.33%	Unchanged	2
Largest Percentage Loser	ICN Pharmaceutical	– 24.06%	New highs	9
			New lows	0

	Close 2/4/92	Close 2/18/92	Net Change	Percent Change
Drug Store News Index	5091.52	4998.34	– 93.18	– 1.83
Dow Jones Industrial Average	3272.81	3224.73	– 48.08	– 1.47
Standard & Poor's 500-Stock Index	413.85	407.38	– 6.47	– 1.56
N.Y.S.E. Composite	228.79	225.65	– 3.14	– 1.37
Value Line Index	262.03	263.56	1.53	0.58

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 2/4/92	Closing Price 2/18/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.50	4.75	0.25	5.56	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	23.75	23.75	0.00	0.00	26	0.12	0.51	25.25	15.00
OTC	Big B	BIGB	12.00	13.00	1.00	8.33	17	0.16	1.23	14.50	7.38
OTC	Drug Emporium	DEMP	8.13	7.75	– 0.38	– 4.62	—	0.12	1.55	9.63	5.50
NYS	Fay's Inc.	FAY	10.38	10.50	0.13	1.20	18	0.20	1.90	15.75	8.25
ASE	Genovese Drug	GDX.A	12.25	12.13	– 0.13	– 1.02	13	0.24	1.98	14.75	6.88
NYS	Longs Drug Stores	LDG	39.00	38.50	– 0.50	– 1.28	14	1.08	2.81	44.38	33.38
OTC	Medicine Shoppe	MSII	26.25	26.75	0.50	1.90	20	0.36	1.35	30.75	19.00
NYS	Perry Drug (h)	PDS	10.50	10.25	– 0.25	– 2.38	17	0.00	0.00	11.00	5.75
NYS	Rite Aid Corp.	RAD	21.50	21.63	0.13	0.58	16	0.52	2.40	23.88	17.25
NYS	Walgreen Co. (H)	WAG	38.63	35.50	– 3.13	– 8.09	22	0.52	1.46	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	17.38	18.88	1.50	8.63	14	0.40	2.12	26.19	16.00
OTC	Bindley Western Ind. (H)	BIND	19.13	20.50	1.38	7.19	16	0.04	0.20	20.75	13.50
OTC	Cardinal Distribution	CDIC	30.75	32.00	1.25	4.07	26	0.08	0.25	38.75	22.50
OTC	Durr-Fillauer	DUFM	23.75	22.00	– 1.75	– 7.37	15	0.28	1.27	34.75	17.50
NYS	McKesson Corp.	MCK	33.50	33.25	– 0.25	– 0.75	15	1.60	4.81	40.13	31.75
ASE	Moore Medical	MMD	4.75	5.50	0.75	15.79	—	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	20.63	20.00	– 0.63	– 3.03	22	0.20	1.00	24.25	11.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	64.25	63.13	– 1.13	– 1.75	25	1.00	1.58	69.75	44.75
NYS	American Home Products	AHP	80.00	73.88	– 6.13	– 7.66	17	2.60	3.52	86.25	55.25
ASE	Barr Laboratories	BRL	17.25	17.88	0.63	3.62	38	0.00	0.00	37.50	11.75
NYS	Baxter International	BAX	37.38	34.50	– 2.88	– 7.69	17	0.72	2.09	40.88	30.00
OTC	Block Drugs Co.	BLOCA	59.88	57.50	– 2.38	– 3.97	19	0.88	1.53	61.00	42.47
ASE	Bolar Pharmaceutical	BLR	13.63	11.25	– 2.38	– 17.43	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb	BMY	81.75	77.63	– 4.13	– 5.05	20	2.76	3.56	90.13	73.50
NYS	Carter-Wallace	CAR	121.00	108.00	– 13.00	– 10.74	36	1.00	0.93	137.50	58.75
ASE	Columbia Labs	COB	8.88	7.50	– 1.38	– 15.49	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	23.75	24.13	0.38	1.58	18	0.28	1.16	24.38	13.13
ASE	Forest Labs	FRX	36.88	35.38	– 1.50	– 4.07	33	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	8.13	8.31	0.19	2.31	33	0.00	0.00	9.75	3.00
NYS	ICN Pharmaceutical	ICN	23.38	17.75	– 5.63	– 24.06	—	0.00	0.00	25.38	4.00
ASE	Lee Pharmaceutical	LPH	1.50	1.38	– 0.13	– 8.33	—	0.00	0.00	2.25	0.75
ASE	Leiner P. Nutrition	PLI	14.50	14.50	0.00	0.00	16	0.00	0.00	14.63	10.25
NYS	Lilly Eli Co.	LLY	78.75	75.38	– 3.38	– 4.29	17	2.20	2.92	87.75	69.50
NYS	Marion Merrell Dow	MKC	36.25	33.50	– 2.75	– 7.59	16	0.92	2.75	39.63	27.25
NYS	Merck Co.	MRK	158.88	146.00	– 12.88	– 8.10	27	2.52	1.73	169.75	99.50
NYS	Mylan Labs	MYL	33.00	33.13	0.13	0.38	33	0.20	0.60	43.25	21.13
NYS	Novo-Nordisk	NVO	86.25	83.38	– 2.88	– 3.33	19	0.60	0.72	96.00	61.00
OTC	Nutramax Products (H)	NMPC	10.75	11.25	0.50	4.65	31	0.00	0.00	12.13	2.38
NYS	Pfizer Inc.	PFE	74.13	70.25	– 3.88	– 5.23	26	1.48	2.11	87.00	50.00
NYS	Pharmaceutical Resources (H)	PRX	7.25	6.63	– 0.63	– 8.62	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	65.63	61.50	– 4.13	– 6.29	26	0.56	0.91	69.38	39.00
NYS	Schering Plough	SGP	61.50	56.63	– 4.88	– 7.93	19	1.32	2.33	68.00	46.25
NYS	Syntex Corp.	SYN	49.13	45.75	– 3.38	– 6.87	24	0.92	2.01	56.00	35.00
OTC	Taro-Vit Industries (H)	TAROF	8.63	11.50	2.88	33.33	96	0.00	0.00	11.50	3.25
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	24.00	23.63	– 0.38	– 1.56	24	0.16	0.68	26.50	11.75
NYS	Upjohn Co.	UPJ	42.50	41.13	– 1.38	– 3.24	14	1.36	3.31	49.25	37.63
NYS	Warner-Lambert	WLA	69.75	68.25	– 1.50	– 2.15	65	2.04	2.99	82.25	66.38
OTC	Zenith Labs	ZENL	22.25	20.00	– 2.25	– 10.11	54	0.00	0.00	23.25	6.25
Other retailer transactions											
NYS	Albertson's	ABS	42.50	41.88	– 0.63	– 1.47	22	0.56	1.34	51.38	32.75
NYS	American Stores	ASC	33.38	35.88	2.50	7.49	9	0.68	1.90	46.19	26.00
NYS	Giant Food	GFS.A	24.63	24.25	– 0.38	– 1.52	14	0.64	2.64	31.25	20.63
NYS	Great Atlantic&Pacific Tea	GAP	31.50	32.13	0.63	1.98	14	0.80	2.49	57.75	25.00
NYS	Kmart (H)	KM	49.88	50.63	0.75	1.50	13	1.76	3.48	52.88	33.50
NYS	Kroger	KR	19.63	17.75	– 1.88	– 9.55	16	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	48.13	49.38	1.25	2.60	15	1.48	3.00	55.25	38.25
OTC	Fred Meyer	MEYR	27.25	27.75	0.50	1.83	17	0.00	0.00	28.75	14.75
NYS	Penney, JC (H)	JCP	56.88	59.13	2.25	3.96	17	2.64	4.47	60.25	47.13
NYS	Safeway	SWY	18.38	17.38	– 1.00	– 5.44	27	0.00	0.00	21.63	15.00
NYS	Smith's Food & Drug	SFD	39.63	41.75	2.13	5.36	25	0.44	1.05	43.75	30.25
NYS	Wal-Mart	WMT	55.50	51.38	– 4.13	– 7.43	40	0.16	0.31	59.88	33.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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DRUG STORE NEWS

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P&G's low-price policy poses new game rules

Procter & Gamble's new everyday-low-price gambit could check the trade-promotion profits of chains geared to high-low promotions, but some marketers see the manufacturer's move as a consequence of information technology and a progressive strategy.

Trade promotion allocations

(Percentage of total promotional dollars)

1990	44%
1989	42
1988	42
1987	41
1986	40
1985	38
1984	37
1983	37

Source: Donnelley Marketing, Inc. (Donnelley Marketing Annual Surveys of Promotional Practices for 1980-1990).

By Allene Symons

CINCINNATI — Procter & Gamble is betting miles of shelf space that its new everyday-low-price (EDLP) policy will benefit P&G's brand equity and at the same time be accepted—however reluctantly at first—by the majority of chain drug, food and mass merchandise outlets that now rely on deals and trade promotions.

P&G's new policy affects around 40 percent of its product lines, including food, beverage, laundry, household cleaning and some HBA, according to P&G's public af-

See **P&G** *page 21*

Thrift brings back the house call

Pittsburgh consumers within five miles of a Thrift get free home and office delivery, in service meant to distinguish the chain.

By James Frederick

PITTSBURGH — With plenty of hoopla, Thrift Drug kicked off a free, storewide home delivery service here beginning March 2. It is one of the most aggressive and costly such programs undertaken by the chain drug industry in decades.

The chain launched the service with a press conference downtown Feb. 24, assembling its fleet of delivery vehicles for a motorcade through downtown Pittsburgh. First stop was a delivery to a high-profile Thrift customer: Pittsburgh mayor Sophie Masloff.

A few years ago, Thrift's delivery program would have seemed an anachronistic throwback to a simpler era in drug store retailing. Now, it seems to herald a growing movement toward higher and higher levels of old-fashioned customer service, as chain drug retailers and their competitors fight to distinguish themselves in a crowded and increasingly contested marketplace.

A few other chains, including Snyder's Drug Stores in Minneapolis, have also launched or are testing limited home delivery programs—at least for prescriptions. And many supermarket chains have contracted with Shoppers Express for fee-based delivery of grocery and non-food items in hundreds of markets nationwide.

By contrast, Thrift's new

See **Thrift** *page 21*

LATE NEWS

• MELVILLE, N.Y. — Genovese Drug Stores reported a 20 percent jump in net earnings for fiscal 1992, despite a fourth-quarter charge against earnings to settle a pricing dispute with New York's attorney general. Sales were up 3.4 percent, to $447 million.

• PONTIAC, Mich.— Perry Drug Stores recorded a sharp 75 percent jump in net earnings in the first quarter ended Jan. 31. Net income grew to $2.5 million vs. $1.4 million a year earlier, and sales were up 6 percent to $175 million.

• TROY, Mich. — At Pay Less Drug Stores, operating income rose 16.1 percent in the fiscal year ended Jan. 29 to $90 million, and sales rose 15.2 percent to $1.89 billion. Same-store sales were up 2.7 percent.

FEATURES

Watch category has timely impact

The face of the watch category is being altered as lower-priced, sporty and fashionable styles gain in popularity. **Page 17.**

Books/magazines see happy ending

Retailers who target ethnic magazines and children's books and make the most of displays create a bright spot in sales. **Page 7.**

Managing the green challenge

Retailers and manufacturers tackle complex environmental issues

Page 9

Shoppers Drug Mart marks 30th anniversary

Nearly 2,400 industry executives and friends turned out to help Shoppers Drug Mart celebrate its 30th anniversary, at a gala affair Sunday, March 1 at Roy Thomson Hall in Toronto. Flanked by ceo David Bloom and president Herb Binder, L.A. Law co-stars Jill Eikenberry and Michael Tucker joined in the festivities.

Eckerd reorders merch. team

CLEARWATER, Fla. — Eckerd Drug Company has restructured its merchandising department, putting all merchandisers under a single head and making all replenishment activities a separate function. The effort is aimed at boosting performance of both areas and making the chain more responsive to new business opportunities, said officials.

Under the new alignment, which took effect last month, Ed Kelly became vice president in charge of all front-end merchandising, while Doug Bailey was named vice president in charge of procurement, including buying systems and replenishment activities. Kelly and Bailey had previously split merchandising duties for all front-end categories, and had shared the replenishment of those categories.

Now reporting to Kelly are all three group directors of front-end merchandising, as well as director of new business Bob Meinhardt. The group directors include Scott Burgess, in charge of merchandising for health care and OTC

See **Eckerd** *page 21*

SECOND CLASS

NEWS IN BRIEF

CVS completes takeover of Thayer

WOONSOCKET, R.I. — CVS has completed the acquisition of 29 stores in Boston and southeastern Massachusetts from Thayer Pharmacies. The stores, which will operate under the CVS name, have already been converted to the chain's planogramming.

Half of the sites will be remodeled this year and the rest in 1993.

O&M sale to Bergen closes

RICHMOND, Va. — Owens & Minor, Inc. has closed the sale of its wholesale drug business to Bergen Brunswig Corp. for an estimated $50 million in cash. The sale included the net assets of the wholesale drug business located in Richmond and Norfolk, Va., and Wilson, N.C., but does not include the Fort Lauderdale, Fla., facility.

Ex-Dot exec moves to Rockbottom

PORT WASHINGTON, N.Y.— The 31-store Rockbottom deep discount chain has named Terry Files as its vp operations. Files headed the Lenexa, Ks.-based Dot chain while it was owned by Wal-Mart, and then was part of a four-person team of investor-managers who bought the 14-store operation in Jan. 1990.

Dot began liquidating its doors, selling most of its prescription files and inventory to Kmart this winter.

Hart-Scott passes on American sale

SALT LAKE CITY — The Hart-Scott-Rodino waiting period has expired without federal challenge on American Stores' agreement to sell 74 Jewel/Osco combo stores and a warehouse to Albertson's in a deal valued at more than $300 million. The pact will take American out of markets in Texas, Oklahoma, Florida and Arkansas.

Another eight Jewel/Osco stores in New Mexico were not included in the deal. American intends to keep those stores within its Oak Brook, Ill.-based Jewel and Osco operating divisions, said a company spokesman.

The two combo store giants first entered into a letter of intent to transfer the stores Jan. 28, as reported in the Feb. 17 issue of *Drug Store News*.

Drug Barn ups sales, stores, POS

COLMA, Calif. — Deep discounter Drug Barn grew fiscal year-end sales by 31 percent to more than $50 million in the fiscal year ended October 1991 and added two new stores, raising its roster to seven, reported Milt Sloban, president and chairman.

A new storewide POS system was completed in November at a cost of around $1 million; the front-end system will be linked to electronic purchasing and accounting systems to be fully installed by April 1992.

Buttrey completes IPO

GREAT FALLS, Mont. — Buttrey Food and Drug Stores Co. announced an initial public offering of 3,000,000 shares of common stock at a price of $21 per share, up from its original proposal of 2,900,000 shares initially expected to be offered at $16 to $18 per share.

All shares are being offered through an underwriting group managed by Morgan Stanley & Co., and Lehman Bros. Buttrey currently operates 43 stores in five western states.

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Alco repositions Rita Ann in cosmetics/fragrance biz

BALTIMORE — Alco Health Services Corporation is positioning its Rita Ann Distributors division to become a bigger player in the fragrance and cosmetics distribution business.

Through management, merchandising and operational changes, Alco expects to capture a larger customer base.

Alco recently named Howard Diener as executive vp of the division, based here. Diener served as executive vp of marketing at Peoples Drug for four years and as senior vp of purchasing for Rite Aid Corporation for eight years.

Alco also recently named senior vp David Carter as general manager of the Rita Ann division. Carter will serve in that function while retaining his responsibilities at Alco.

The company will soon announce a newly appointed controller and sales manager.

"Rita Ann was a business that was a small part of a large company so it never really got a big commitment," said Diener. Diener said that will change as Alco repositions the division.

"We intend to broaden our merchandise mix and our customer base with new thinking and an aggressive approach to new business," he said. "We will focus on expanding our cosmetic mix so that we can become a single-source supplier to supermarkets, small chains that don't warehouse and mass merchants." Diener said that Rita Ann's mix will also be broadened to include specialty skin care and bath products.

To support the new direction, Alco has brought all of Rita Ann's operations under one roof in Baltimore.

"Previously, Rita Ann had been warehousing in Baltimore, had its purchasing administration in Philadelphia and its computer in Harrisburg," said Diener. According to Diener the computer and purchasing functions had been brought to the warehouse facility here, which was completely renovated in early February. The system has been on line since the beginning of March.

Wachol

Guffey

Bergen exits entertainment

ORANGE, Calif.— Bergen Brunswig Corp. will sell its 80-percent interest in Commtron Corp., a Des Moines, Iowa-based home entertainment distribution subsidiary, to Ingram Industries of Nashville.

Bergen signed a definitive agreement to merge Commtron with Ingram's subsidiary, Ingram Entertainment. If the agreement meets contingency requirements, Commtron shareholders will receive $7.75 per share of common stock; Commtron has about 10.1 million shares outstanding.

Said president and ceo Robert Martini, "We'll be completely focused on our vision to be the premier provider of pharmaceutical distribution services and to enhance shareholder value."

Kmart names Wachol head of growing Rx program

TROY, Mich. — Kmart Corp. has named Alice Wachol director of pharmacy, filling a management void left by the promotion of F. Kevin Browett to divisional vp-merchandising for hardlines. Wachol will report directly to Browett.

Wachol will oversee all aspects of Kmart's burgeoning pharmacy program, including third party, professional relations and field operations. As such, she will help spearhead a key component of Kmart's growth plans for the 1990s.

Kmart already has some 1,300 pharmacies in operation, with plans for several hundred more over the next few years. Both the business strategy and new store format for the discount store giant emphasize pharmacy—both in its own right as a significant profit and service center, and as the anchor to stronger, more aggressively marketed departments for HBA, greeting cards and OTC drugs.

As a consultant to Browett for the past year, Wachol has already helped flesh out the expansion and reorganization of drug store operations at Kmart. Those operations have been broadened to include other hardlines, and elevated to full divisional status in Kmart's reporting structure. Under Browett, those operations now account for 20 percent of total Kmart store revenues.

Kmart has also named Benjamin Guffey director of loss prevention, reporting to senior vp-store operations Thomas Watkins.

Fay's exec James Wuest named to DrSN board

NEW YORK — James Wuest, vp of marketing for Fay's Drug Stores, has become the newest member of the *Drug Store News* editorial advisory board.

Wuest has been at Fay's for 15 years. He started in store management at the Liverpool, N.Y.-based chain in 1976 and has held various positions in merchandising and marketing.

Wuest

In his new position as vp of marketing, Wuest is responsible for the marketing, purchasing, merchandising and store layout.

Wuest is also a member of the NACDS Marketplace committee and the American Management Association and serves on several industry advisory boards.

The *Drug Store News* editorial advisory board helps the editorial staff shape the direction of the publication.

Correction

Due to printer error, *Drug Store News* miscredited two photos in the Feb. 23 issue. Pictures on pages 35 and 46 were submitted by Worlds of Curls.

P&G brings the low price issue to a boil

IN THE MARKET
BRUCE BUCKLEY

Procter & Gamble's new low price strategy on some of its product lines has been getting a lot of play in the consumer and business press, but the spotlight has fallen almost entirely on supermarkets. Given the volume that food stores command and the strong symbiosis between P&G and the grocery trade, perhaps that's natural.

But pound for pound—as boxing writers like to say—drug store chains face a short-term impact as great as food stores. Like promotional supermarkets, these drug chains are forced to rely heavily on manufacturer trade allowances to drive traffic and fatten margins. But drug chains as a whole face the added burden of not being the big natural traffic magnets that supermarkets are.

Already under tremendous pressure from every day low pricers like Wal-Mart and Phar-Mor, drug chains could find themselves in an even more precarious position if more manufacturers follow P&G's lead and tilt the balance to contract pricing. These chains fear that the EDLP retailers will eat their lunch because they're already geared up to thrive in such a competitive climate.

It's a complex issue. Most promotion-driven retailers, both food and drug, are reluctant to speak out publicly because they haven't fully explored the ramifications of such a change. Beneath the surface, however, there are a lot of concerns and a lot of questions being asked.

One drug marketing exec wonders out loud if Procter's recent customer-oriented efforts—the company's vaunted attempt to be "better listeners"—have veered off onto a sidetrack.

Another marketing exec sees P&G's EDLP strategy as "a disguised price increase." He thinks that when the high-low pricing chains weigh the difference between full promotional allowances and contract pricing, they're going to find themselves five to seven points on "the short end of the stick."

And he says the drug store mix, with its heavy reliance on a broad assortment of highly promotional beauty care products, is especially vulnerable to a fundamental shift in pricing strategy.

A third exec sees the contract pricing strategy of P&G and other companies as "playing into the hands" of the Wal-Marts and deep discounters of the world.

This exec is already casting a hard look at his company's advertising strategy and weighing whether to put more ad dollars into lower prices, because the drug chains' traditional reliance on service and convenience just doesn't cut it when the price differentiation between the chains and the deep discounters is so great. Eventually he thinks the pricing differences will narrow, as chains trim their margins and deep discounters look to fatten theirs. At that point contract pricing will become a benefit. But in the meantime, he says, drug stores will be hit hard.

Other execs point out that the strategy could backfire and leave P&G vulnerable to competitors' promotional forays.

Long term, the shift to contract pricing could have benefits. Win Weber, who wrote about this issue in *Drug Store News*' December and January issues, is a proponent who favors dead-net pricing overlaid with performance-related marketing funds. Such an approach, he says, makes the distribution process more efficient by eliminating peaks and valleys.

Whatever the eventual outcome of this struggle, expect to see a lot of heavy discussion at next month's NACDS meeting.

FDA may be taking stronger look at OTCs

WASHINGTON PERSPECTIVE
KEN RANKIN

Drugs cost too much. That's the view expressed by more than a few politicians and bureaucrats here in Washington.

For the past 20 years legislative and executive branch policy makers have been developing new schemes to deal with the high costs of pharmaceutical care.

The "solutions" to date have included restrictive formularies, mail-order dispensaries, "MAC/EAC" price controls, pharmacy fee ceilings, manufacturer rebates, "best price" requirements, HMOs, PPOs, DUR, etc.

The result: the cost of pharmaceutical care is higher today than it has ever been, and drug prices are continuing to climb at an historically alarming pace.

One approach, however, has been shown to consistently produce significant reductions in the cost of drug therapy: switching prescription medicines to over-the-counter status.

Ironically, Rx-to-OTC switches are now coming under sharp scrutiny and criticism by some of the same politicians who constantly clamor about the high cost of drugs.

Those concerns were triggered by a new report from the Congressional General Accounting Office which raises questions about the safety and effectiveness of OTC drugs.

The problem, according to the report, is at the FDA. Because nonprescription drugs are such a low priority for the agency, GAO contends that the FDA is prevented from "fully carrying out its mandate to protect the public health and to provide reasonable assurance of the safety and effectiveness of OTC drugs."

Unlike prescription drugs, many OTCs "have not been required to demonstrate their safety and effectiveness before being made available to the public," GAO investigators added. As a result, "numerous examples of health hazards" have been associated with such "widely used OTC drugs" as aspirin, ibruprofen and acetaminophen, the report charged.

Although the report acknowledges that Rx-to-OTC switches do reduce health care costs, GAO suggests that the risks of self-medication may offset these benefits.

Because the physician may no longer be involved in the drug selection process, the shift of prescription products to OTC "increases the potential for overuse and misuse" of pharmaceuticals.

To be sure, GAO didn't issue this report on OTC medicines out of the blue. The investigation was undertaken at the request of Rep. Ron Wyden (D-Ore.), who is already prodding the FDA to develop tighter rules governing nonprescription drugs.

In response to this kind of political pressure, it's important to remember that for the past 20 years the FDA has been engaged in a massive regulatory initiative to verify the safety and effectiveness of OTC drugs.

As a result, thousands of products have been reformulated, relabeled or removed from the market altogether. OTCs today are safer and more effective than they have ever been, and new OTCs must meet even more rigorous standards than prescription medicines.

Political interference in the Rx-to-OTC decision-making process is itself risky business.

It could make drug therapy less accessable to the American public and derail the most effective vehicle for holding down the cost of medicine.

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Timeliness, pricing, displays prompt book, magazine sales

Books and magazines may show sales as flat as a page in many drug chains. But bright spots appear when retailers target ethnic magazines, children's books and other growth segments and capitalize on display opportunities.

The tough economy has crimped the reading habits of Americans as they hit their pillows often without good books and magazines to inspire dreams of better times.

Book and magazine sales showed scant increases in 1991, report chain drug retailers. At the same time, mass market or rack-size book sales managed to rise slightly to an estimated $1.23 billion in 1991, up from $1.14 billion in 1990, says the Book Industry Study Group (BISG).

Still, aggressive merchandising, timely buys of titles and competitive pricing tactics can build category sales, keep shoppers in stores longer and whet their appetites as they browse while waiting for prescriptions to be filled. Mass merchants are especially forward with their trend toward large mainline book and periodical "reading centers," says Christine Nordby of the Magazine and Periodicals Marketing Institute (MPMI).

Magazine sales by trade class

($3.4 billion total)

	% Share	Sales (in millions)
Supermarket	45%	$1,530
Convenience	15	510
Other	12	400
Drug	12	390
Newsstand	6	220
Book	6	190
Discount	4	150

Source: Periodicals Institute.

Category clout

A new best seller release can spike book department sales for days or weeks. At Bill's Drugs, buyer Sharon Schrage was eagerly awaiting the February 19 release of the new Robert Ludlum novel, *Road to Omaha*; to tie in with the new hardcover, Bill's ordered paperback "backlist" Ludlum titles.

One of Schrage's strongest categories is children's books in all formats. "Kids' [books are] way up," says Schrage, and the buyer for a northeastern chain agrees: "There's a tremendous potential in kids' books." Drug stores accounted for 8 percent of juvenile book sales in 1991, in contrast with 14 percent for food stores, according to BISG. The mass merchandiser reading centers are capitalizing on the hot children's category, as Nordby notes, "it's available to parents and grandparents where they do their everyday shopping."

For a predominantly female customer base, many drug stores respond with a good selection of romance novels. At Oregon-based Pay Less, romance is the biggest of the genre categories, while the buyer at the northeastern chain says, "a strong category in recent years has been historical romance."

Discount game

Books are a price sensitive category: with the suggested retail price printed on the cover of most books, discounters sharply advertise their price against list. Most of the chains *DrSN* spoke with offer some discount or occasional price promotion on books. Even Walgreens, which sells books at full price, offers occasional coupon promotions.

Reading centers in Walgreens stores are positioned front and center and broadly assorted to appeal to a wide variety of consumers.

Rite Aid's Jeff Wolfson reports, "we always are responsive in a local market where there is a competitive situation." Likewise, Pay Less shows price awareness with occasional discounting, usually 20 percent on the top 10 to 15 paperbacks or hardcovers, according to buyer Pat Pemberton.

In Bill's Drugs locations, all *New York Times* best sellers are discounted 20 percent, while other books are 10 percent off everyday. Bill's closeout tables extend the image of value, although the retailer gets a good margin for this product.

To create a reading center image, many chains are upgrading fixtures. Bill's is testing a new white wire display with red trim; Pay Less has a new wooden book fixture in its prototype stores featuring angled pockets with a dynamic, upscale effect. A northeastern chain is moving toward that same type of angled, wooden fixture with installations now in 75 percent of its stores.

Floor displays fill the need for seasonal book promotions, but the problem is lack of space. As a space saver, publisher Bantam Books has devised a new slim-line floor display for its 1992 summer reading campaign. Retailers agree that floor displays help boost sales, especially for seasonal children's assortments at Easter and Halloween. They also provide a profitable opportunity for drug stores with rack-size fixtures—such as the northeastern chain, where floor displays are used to feature a hot new title when it is released in an oversized paperback.

Off-shelf display, niche titles boost magazine sales

Drug stores command a 12 percent share of the $3.6 billion single-copy magazine market. In the second half of 1991, although many magazines dropped in single-copy sales, others showed strong growth despite the recession *(see chart)*.

While leading titles like *People* and *Better Homes and Gardens* dominate checkout, the main line selection in many drug stores is rich with niche or specialty potential. "Niche publications are helping the industry in tough times," says Brian McDonnell, vp of marketing for Manhattan-based Magazine and Paperback Marketing Institute (MPMI).

Even in a flat market, a magazine selection draws traffic and offers good gross margin and high inventory turn with the incentive of a rack display allowance (RDA) that adds around 10 percent to the standard 20 percent margin.

Today, an increasing number of suppliers seek partnering with retailers through in-store service of stock and display, yet the magazine industry has long been a leader in this concept: most retailers opt for full service by distributor reps; business reviews and space analysis are becoming available; plus, wholesalers participate in fixture upgrades, picking up part of the cost.

Impulse points

Magazine sales probably won't rise until the pall of the recession is past, but by cross merchandising and adding off-shelf displays, several drug chains are catching extra sales. In one hot category—ethnic publications—magazine traffic can build cross business in other drug store categories.

At Seattle-based Pay Less, buyer Pat Pemberton reports that magazine sales were up slightly in 1991. Pay Less mounts magazine promotions using a special rack in the cosmetics department of the chain's new prototype stores.

Around 3,300 magazines are available through distributors. In most chains, assortment varies depending on store size. Buyer Jeff Wolfson of Rite Aid says each store works from an authorized list compiled by the buyer and based on sales information from approximately 170 different distributors.

Walgreens also relies on sales information from wholesalers. But with a POS scan system now in place, Walgreens plans eventually to break out magazine category information, according to spokesperson Laurie Meyer.

Here are some of today's hot categories, according to national magazine experts:

- Computer magazines. The computer category is uptrending after falling off in the mid-1980s. New computer product and price-cutting means consumers want to read up on what's available.
- Comic books. "Comics are certainly moving up," says McDonnell, who notes that MPMI is working with chains like CVS, Brooks and Walgreens to promote the category. At Bill's Drug, buyer Sharon Schrage has comics in some stores and says they are "doing great."
- Sports magazines. Among the growing subcategories are golf magazines, hunting and fishing titles.
- Ethnic titles. Christine Nordby, publisher of *Currents*, MPMI's West Coast newsletter, says "Ethnic is big every place. It's the philosophy of displaying for your demographics."

Fast-track titles in a down market

Some magazines posted double-digit increases for single-copy sales in the second half of 1991. Among them:

	Units (single-copy)	Gains
Soap Opera Weekly	507,131	15.9%
Shape Magazine	503,159	14.2
Vanity Fair	368,998	30.8
Worldwide Wrestling Federation (WWF) Magazine	368,031	20.1
Easyriders	255,242	22.3
Traditional Home	234,667	24.6
Computer Shopper	226,651	16.0
PC Magazine	159,346	22.4
PC/Computing	107,665	43.0
Macuser	81,754	39.6
Flower & Garden	59,713	198.6
Country Music	22,991	50.7

Source: Audit Bureau of Circulations.

Thrift makes a house call

Continued from page 1
service is free for all purchases over $10, with a nominal $2 delivery charge for non-prescription orders of less than $10. What's more, it allows customers to order not only prescription and OTC drugs, but also every other item in the store for same-day or next-day delivery to either their home or workplace.

It involves some 80 Thrift drug stores throughout the Pittsburgh region, which makes the free service available to most consumers within roughly 30 miles of the chain's headquarters. Customers living within five miles of any Thrift store in that region can use the service.

"We are simply responding to our customers' requests for more convenient services, and there's nothing more convenient than having your prescriptions and other products delivered to your home or office," noted Pittsburgh regional vp Dennis Cuff. He said the service would appeal to time-strapped, two-income households, homebound elderly people, mothers with sick children at home and others. "Considering that both adults work in over 70 percent of all households, time is becoming one of the most precious commodities any business can offer," he added.

The new service is being announced through newspaper ROP and circular ads, billboards, in-store signing and other media. Thrift has hired 109 new store-based employees and leased 22 identical, specially-marked cars to provide deliveries. Each car will be based at a host store and will serve three to four stores, depending on location and distances between units. In addition to drivers, new hires include at least one employee at each store to handle and fill phone orders.

Cuff called the considerable expense incurred "an investment" in Thrift's business. "We feel it gives us a definite competitive differentiation," he said. "We're betting on the fact that increased sales will pay for the program."

Customers can take advantage of the service by calling their local Thrift store to place their orders Monday through Saturday. Those calling before 11 a.m. will get their orders the same day, with all office deliveries made before the end of the workday. All of the chain's more than 25,000 store items can be delivered. Payment is made on delivery.

Cuff said prices would not be affected by the service. Indeed, Thrift is promoting the program by giving customers its Preferred Customer Coupon Book with their first order.

"This was not something done as a gut reaction; we've been talking to our customers for more than a year about this, and we've been delivering on a test basis in scattered stores, quietly, for quite some time," Cuff said. "We think this will create a new niche for us."

If the service is a hit with Pittsburgh customers, Thrift will almost certainly take it to some of its other big markets, Cuff indicated. Next in line, he said, could be Philadelphia.

P&G poses new game rules

Continued from page 1
fairs spokesperson Ann J. Smith.

The EDLP policy is intended to bring several advantages to the manufacturer, including a lower average shelf price to strengthen brand recognition against generic and private labels, and also to make production more efficient by eliminating surges caused by forward buying.

Over the past decade, trade promotion allocation has increased as a percentage of overall marketing dollars to reach 44 percent in 1990 compared with 34 percent a decade earlier, in a study by Donnelley Marketing. According to management consultant Win Weber, president of Memphis-based Winston Weber & Associates, Inc., only 25 to 40 cents of a promotional dollar reaches the consumer.

When buying branded product on deal, industry sources generally acknowledge that some retailers reap profits by taking long margins or by diverting part of the buy. But from an efficiency point of view, says Weber, "in HBA, retailers may be buying from 70 to 90 percent on deal. If a retailer is buying 70 percent on deal, it's better to take contract pricing and weigh it on a 12-month basis, eliminating the need for forward buying, taking out the peaks and valleys and discouraging diversion."

The issue appears to be so sensitive and new to the trade that not a single retailer called agreed to be quoted for this article.

P&G's EDLP policy has been in effect since the turn of the year, but not all accounts have seen the presentation, or as an executive from a mid-sized southern drug store chain remarked: "at this point we haven't yet seen a formal proposal from P&G."

The Vons Companies, the largest supermarket and combo operator in Southern California, reportedly has challenged P&G's EDLP strategy. Although the supermarket/combo officials declined to comment, P&G's Smith told *Drug Store News* that Vons and P&G "are working together now to resolve this issue."

A merchandising executive with another large combo chain said, "For any retailer who has built business with [trade] allowances and who has a system that alerts them to deals, it's a tremendous change." He noted that even the EDLP-driven retailers buy on deal, adding, "Wal-Mart and others have promotions in the aisles—and look at the club stores."

Analyst Andrew Shore of Prudential Securities in New York said of the many retailers who apparently disapprove of P&G's pricing policy: "Vons is the first to lend their name to it. Everyone on the retail side has been reluctant to speak out."

Some retailers told *Drug Store News* that with everyday low pricing, many chains will opt to take a long gross margin and negate P&G's intention to focus on brand value. Industry insiders also think some retailers will retaliate by denying selected P&G products prime shelf space. By eliminating trade promotions, P&G could lose market share to manufacturers who pony up for promotions. But Shore points out that since P&G has around 32 No. 1 products across dozens of categories, pushing alternative product could be a costly retail protest. "If consumers don't want it, who cares what you promote?" asks Shore.

One combo chain executive complained that "promotion dollars create excitement and they will be reduced with this program." Although P&G's EDLP policy slashes trade promotions, Smith acknowledges that it still provides for ancillary promotional funds. Weber notes market development funds could also "add freshness to a mundane everyday strategy."

POS data capture is changing distribution logistics and category management. As one marketer noted, the alleged "partnering" strategy of linking a mass merchandiser such as Wal-Mart directly to a manufacturer (for example, P&G) for stock replenishment creates a systems problem for the manufacturer: two different systems will be needed to serve the high-low or on-deal retailer and another for the dead net or EDLP retailer. Clearly two systems are less efficient than one.

In the view of Shore and Weber, P&G's move is progressive. Many retailers would disagree. "I think P&G clearly recognizes the need to put efficiencies into the distribution system in the U.S., and I think the move—while it is very bold—is an appropriate move," said Weber.

But a retail chain executive notes, "there have been studies done that show the profit for the retailer is reduced" when a manufacturer imposes everyday low prices, and he adds, "it's a tremendous change. I would question whether it's in everyone's best interest."

Eckerd reorders merch. team

Continued from page 1
products; Carol Allman, in charge of beauty, photo, cards and stationery; and Al Crossman, who directs convenience and seasonal merchandising.

The group directors used to divide their reporting between both Kelly and Bailey. Both vps continue to report directly to Ron Peterson, executive vp-marketing and merchandising for the 1,675-store drug chain.

These changes will better position Eckerd to achieve not only short-term merchandising objectives, but also the company's longer-range performance goals," said Peterson.

" 'Streamlining' is an overused word, but that's essentially what it is," added Eckerd spokesman Gene Ormond.

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